2 December 2014

Manager
Resource Policy
Department of Planning and Environment
GPO Box 39
Sydney NSW 2001

Submitted online at: www.planning.nsw.gov.au/proposals

Dear Manager,

**Changes to planning rules to introduce land acquisition and mitigation policy for mining proposals – Amendments to the SEPP (Mining, Petroleum and Extractive Industries) 2007 and the SEPP (State and Regional Development) 2011 by SEPP Amendment (Gas Exploration and Mining) 2014**

As a community legal centre specialising in public interest environmental law, EDO NSW welcomes the opportunity to comment on the Department of Planning & Environment’s proposal to amend the SEPP (Mining, Petroleum and Extractive Industries) 2007 and the SEPP (State and Regional Development) 2011 by the amendments proposed in the SEPP Amendment (Gas Exploration and Mining) 2014.

We understand the two key purposes for the amendments are first, to declassify petroleum exploration activities so that they are no longer state significant development (and remove the ‘five wells rule’), and second, to introduce a Voluntary Land Acquisition and Mitigation Policy. The proposed changes are in addition to regulatory changes that were consulted on for 3 days last week (25-28th November). Accordingly, this submission is in 2 parts:

1. Environmental impact assessment of exploration activities
2. Voluntary Land Acquisition and Mitigation Policy

However, we note our concern at the outset that the current trend of incremental rule changes to subordinate legislative instruments such as Regulations, SEPPs and policies is confusing for the community and has the potential to undermine due process and assessment of current proposals.

As noted in relation to previous amendments, EDO NSW does not support special legislation or policy development driven by individual projects, as this undermines community confidence in fair and consistent decision-making in accordance with the rule of law.²

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Instead of rushing through incremental changes to different instruments and policies, there needs to be a comprehensive review and reform of extractive industry legislation in NSW. This is consistent with the findings of the NSW Chief Scientist, and is essential for establishing the ‘world’s best practice’ regulatory system promised in the recently released NSW Gas Plan.

1. Environmental impact assessment of exploration activities

Current coal seam gas laws and policies in NSW are complex. Different laws, regulations and policies apply to different aspects of CSG activities; administered by different departments and agencies. Various exemptions already apply to certain activities. Environmental, social and economic outcomes are uncertain.

On 30 September 2014, the NSW Chief Scientist & Engineer released her Final Report of the Independent Review of Coal Seam Gas Activities in NSW (Chief Scientist’s Report). The Report urges the NSW Government to commit to a world-class regulatory framework for coal seam gas (CSG) and other extractive industries. It found that CSG regulation is in need of comprehensive reform to improve clarity and consistency; to protect water resources, public health and the environment; and ensure the highest standards of compliance. The NSW Government has long suggested that CSG activities in NSW should conform to world's best practice and has indicated in the NSW Gas Plan that it has accepted all the Chief Scientist’s reform recommendations.

However, the current proposed incremental changes seem inconsistent with a genuine implementation of the package of reforms as recommended by the Chief Scientist.

These latest proposed amendments will:

- amend the Mining SEPP to remove petroleum exploration activities, including the 5 wells rule, from being development permissible with consent so that these activities are no longer assessed by the Department of Planning and Environment as a development application, but rather are assessed by a relevant determining authority under Part 5 of the EP&A Act, and…[clause 3]

- amend the SRD SEPP to remove references to petroleum exploration, including the 5 wells rule, from specified development in Schedule 1 under petroleum (oil and gas) so that it is no longer considered to be State Significant Development (SSD). [clause 4]

The proposed changes do not address serious existing flaws in the Mining SEPP that need to be reformed. 

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5 Ibid, p2.
The effect of clause 3 and clause 4 of the *SEPP Amendment (Gas Exploration and Mining)* 2014 will be that all exploration activities will be able to be carried out under a lower order of scrutiny, i.e., a Review of Environmental Factors (REF), rather than a more comprehensive Environmental Impact Statement (EIS) as is currently required for State Significant Development (SSD).

EDO NSW has significant concerns that this will reduce both the quality and rigour of assessment and the transparency and accountability of the process.

**Activities on environmentally sensitive areas of state significance**

Part of the declassification of exploration activities from being SSD relates to activities on environmentally sensitive areas of state significance.

Clause 4 and clause 5 remove the reference to the ‘five wells rule’ (discussed below) and also remove reference to:

- “drilling or operating petroleum exploration wells (not including stratigraphic boreholes or monitoring wells) that is carried out in an environmentally sensitive area of State significance” (in the *State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries)* 2007), and
- “Development for the purpose of drilling or operating petroleum exploration wells (not including stratigraphic boreholes or monitoring wells) that is carried out in an environmentally sensitive area of State significance” (in the *State Environmental Planning Policy (State and Regional Development)* 2011).

EDO NSW strongly opposes this proposed declassification. We submit that petroleum exploration activities should not be permitted in environmentally sensitive areas of state significance at all. If the NSW government proceeds with allowing activities in such areas, it is absolutely essential that they are subject to rigorous, transparent and comprehensive environmental assessment. The REF process is inadequate and inappropriate for assessing activities in such areas (as discussed below).

**The five wells rule**

Currently, development for the purposes of ‘drilling or operating petroleum exploration’ (including CSG) is classed as State Significant Development (SSD). One exception to this is where a set of five or fewer wells is more than 3 kilometres from any other petroleum well in the same petroleum title (**the five wells rule**)\(^8\). EDO NSW has raised a number of concerns with the ‘five wells/3km rule’\(^9\), as the previous amendments in the *State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries)* Amendment 2014 represented a significant change in the method for determining whether CSG projects are classified as SSD. This is important because all SSD project applications need development consent, and must be accompanied by an Environmental Impact Statement (EIS)\(^10\).

The proposed amendments go a step further and declassify petroleum exploration activities (and remove the five wells rule) from being development permissible with consent. This means they will no longer be SSD requiring an EIS, and will instead be assessed under Part 5 of the EP&A Act.

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\(^8\) SRSD SEPP Sch. 1 cl. 6(2). Development for the purposes of *petroleum production* is also classed as SSD (cl. 6).
\(^10\) EP&A Act 1979 (NSW) s 78A(8A). The SRSD SEPP (Sch. 1, cl. 6) sets out petroleum (oil and gas) that is SSD.
The proposed changes therefore drastically reduce the scope of CSG exploration that would be subject to an EIS. Removing the requirement for EISs will limit transparency and community oversight of new CSG developments at a time when such projects are highly contentious and their environmental effects uncertain. The similarity of processes between CSG exploration and production warrant comprehensive assessment and public scrutiny upfront.

Under the proposed changes all exploration activities will be assessed under Part 5 of the EP&A Act, without development consent, and requiring only a small-scale ‘review of environmental factors’ (REF).

The REF process under Part 5

EDO NSW has previously flagged concerns about the adequacy of REFs for CSG projects under Part 5 of the EP&A Act - see EDO NSW Submission to NSW Legislative Council Inquiry on CSG, Appendix 1: “Ticking the box” – Flaws in the Environmental Assessment of Coal Seam Gas Exploration, September 2011.11 Our previous submission identified key problems as including: lack of transparency, limited government oversight and no public consultation process (as distinct from the 28 day exhibition period for an EIS). Indeed, this is why the Government introduced the general rule that CSG production and ‘most’ exploration would be assessed as SSD. Specific deficiencies identified included:

- Limited requirements for compliance, consultation or transparency
- Lack of comprehensive assessment of local environmental impacts
- Adequacy of departmental assessment of REFs
- No merits challenge to REF adequacy

The submission also included four case studies that provide evidence of how the REF process has been demonstrably inadequate for properly identifying and assessing issues such as: air quality, water risks, cumulative environmental impacts, waste and chemicals, bushfire risks, heritage impacts, traffic impacts, and flood risks.12

Given the breadth of CSG exploration activities and the uncertainty of long term and cumulative impacts the Part 5 assessment process is inadequate for a number of reasons, including for example, the fact that REF guidelines are not enforceable.13 Furthermore the assessment burden rests with the Department in the first instance to assess significance, rather than requiring the proponent to demonstrate that the project will not in fact significantly impact the environment.

In light of these concerns, EDO NSW does not support the broad-brush declassification of exploration activities. The SSD categorisation should be retained to ensure a higher level of assessment, scrutiny and transparency.

11 See EDO NSW, Submission to NSW CSG Inquiry - Appendix 1 - Flaws in the REF process (Sept 2011). Available at: http://www.edonsw.org.au/mining_coal_seam_gas_policy
2. Voluntary Land Acquisition and Mitigation Policy

The proposed amendments will:

- amend the Mining SEPP to require a consent authority to consider the Voluntary Land Acquisition and Mitigation Policy in determining applications for State significant mining, petroleum and extractive industry projects.

EDO NSW has received a high number of legal inquiries from concerned residents and landholders in relation to the proposed reforms. There is genuine concern that this policy is being pushed through with only 2 weeks for mine-effected communities to understand the personal implications. We reiterate our recommendation that comprehensive reform must be undertaken with adequate time to genuinely consult affected communities and landholders, and ad hoc incremental policy must not be rushed through in response to particular project assessment processes.

The proposed policy contains a number of serious flaws. It lacks critical detail on how it will be implemented, and it is not based on the best available scientific evidence. The policy should not be finalised until there has been comprehensive consultation and education for affected communities on the implication of different policy options. We also submit that the development of this policy should not prevent decision-makers such as the Planning Assessment Commission from imposing stricter standards and conditions on current proposals where deemed necessary.

Our concerns with the proposed policy are below in relation to:

- Air quality
- Negotiated agreements
- Dispute resolution
- Voluntary acquisition
- Mitigation measures in buffer zones
- Noise impacts
- ‘Net benefit’ and ‘public interest’ tests

Air quality standards

State Significant Mining, Petroleum and Extractive Industry Developments have the potential for significant negative environmental and health impacts. For example, the Draft Variation to the National Environment Protection (Ambient Air Quality) Measure 201415 (2014 NEPM review) identified that the biggest threat to air quality in NSW from particulate matter ($\text{PM}_{10}$ and $\text{PM}_{2.5}$) is coal mining. The cost of poor air quality is estimated to be $4.7$ billion per year in the NSW Greater Metropolitan area alone.16 This cost is borne by the residents and Government of NSW. The 2014 NEPM review17 also noted:

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16 The health cost of particle air pollution in the NSW Greater Metropolitan is estimated to be around $4.7$ billion per year (NSW DEC 2005; Jalaludin et al. 2011). The greatest proportion (>99%) of the health costs accrue from avoiding premature deaths due to long-term exposure to $\text{PM}_{2.5}$. National Environment Protection Council (2014) Draft Variation to the National Environment protection (Ambient Air Quality) Measure – Impact Statement Commonwealth of Australia (pg
In addition, the most important sectors of activity were different in each jurisdiction. In NSW the most important source of PM10 and PM2.5 was coal dust, and this sector was responsible for most of the projected growth in emissions...

Where PM concentrations have historically been below air quality standards/goals, there is no guarantee that this will continue in the future, especially given that the projections in state inventories show that PM10 and PM2.5 emissions are likely to increase under a BAU scenario, in spite of controls on emissions from several sectors. For example, the data from the NSW GMR emissions inventory show that total anthropogenic emissions of PM10 and PM2.5 in the GMR will increase by 63% and 35% respectively between 2011 and 2036, largely as a result of growth in coal mining activity. Anthropogenic emissions of secondary PM precursors such as NOX, SO2, NH3 and VOCs are also predicted to increase in the future.

Rural or small urban sites in NSW tend to have more exceedances than urban sites.

The 2014 NEPM review clearly shows that NSW should be developing policies to reduce air quality impacts, not simply focus on buying out landowners adjacent to State Significant Mining, Petroleum and Extractive Industry Developments.

Both the “Voluntary mitigation rights” and the “Voluntary land acquisition rights” in relation to particulate matter seek to ‘lock in’ outdated and inappropriate air quality standards. There are no proposed criteria for PM2.5 and the measures relating to PM10 are significantly higher than those proposed to be implemented under the 2014 NEPM review. EDO NSW acknowledges that the policy states that “Any revisions or updates to this policy will be made subsequent to… review of standards for particulate matter under the National Environment Protection (Ambient Air Quality) Measure (NEPC 1998)” however there is no timeframe for such a review and the current state of knowledge makes it clear that existing standards are insufficient for protecting human health. This disregard for human health is further emphasised by the policy statement that “Consent authorities may decide that it is in the public interest to allow the development to proceed, even though there would be exceedances of the relevant assessment criteria, because of the broader social and economic benefits of the development” (discussed further below).

Management measures should be based on the best available science and voluntary acquisition rights should be applied to any property where particulate matter will exceed an annual average for PM10 of 20μg/m³ and a 24-hour average of 40μg/m³ and an annual average for PM2.5 of 25μg/m³ and a 24-hour average of 8μg/m³. Any project generating these exceedances either individually or as a result of cumulative impact must trigger acquisition rights and any allowable exceedances of these levels should be specifically tied to natural events.

The fact that mitigation measures and acquisition measures use the same criteria is highly inappropriate. The best available science clearly shows that there is a linear relationship between increasing levels of particulate matter and reductions in human health. Therefore any increase in particulate matter levels above the background level should make surrounding landowners eligible for voluntary mitigation rights.


Negotiated agreements

We note that suggested mitigation measures include purchasing appliances such as clothes dryers and air conditioners for affected residents. In EDO NSW's view, this simply masks the ongoing impacts of these developments. Such simplistic policy measures do not address the underlying cause of serious health impacts, and in fact may exacerbate broader issues of increased electricity consumption and costs.

The General policy on Negotiated agreements (p 5) states that negotiated agreements must “provide for the transfer of obligations to any new landowner if the property is subsequently sold”. The same obligation must be applied to project proponents if the project is subsequently sold. One example of where this will be important is where mitigation measures, such as those discussed above, have ongoing management costs. The policy suggests that such costs must be met by the applicant. Where mitigation measures include features such as air conditioning and clothes dryers, the ongoing costs of running such appliances may be a significant financial burden to the landowner and should be met by the applicant and any future owners of the project. The policy states that the applicant must bear all the costs associated with entering into a negotiated agreement. The costs to be covered by the applicant should explicitly refer to legal fees (as well as expert advice) as the policy specifically requires such agreements to be enforceable in a court of law and landowners must be able to access appropriate legal advice before entering any such agreement. These costs should also be included in the costs associated with mitigation measures.

Dispute resolution

EDO NSW believes that any dispute between the parties should be referred to an independent arbiter, not the Secretary of the Department of Planning and Environment (DPE). DPE supports the approval of the majority of State Significant Mining, Petroleum and Extractive Industry Developments and is heavily involved in the development of policies that limit community rights under these approvals. As such, they cannot be considered to be an independent arbiter of such projects. EDO NSW recommends that disputes should be referred to an independent arbiter agreed to by the parties. If the parties cannot agree on an independent arbiter, the matter must be referred to the Secretary to appoint an independent arbiter from the NSW Bar Association approved list of arbitrators.

Voluntary acquisition

The proposed policy (p8) refers to the process by which the acquisition price of land by a proponent will be guided and states that:

The acquisition price must, as a minimum, include:

- A sale price no less favourable than market value calculated in accordance with the Land Acquisition (Just Terms Compensation) Act 1991 as if the land was unaffected by the development; and

- An amount no less favourable than an amount calculated with respect to the matters referred to in section 55 of the Land Acquisition (Just Terms Compensation) Act 1991 other than market value.

In relation to the Ashton case it was proposed that landowners who effectively have to leave the Camberwell area as a result of impacts from the mine should not be disadvantaged by the fact that the areas they wish to move to may be more expensive than the Camberwell area, i.e. acquisition provisions should include purchase at the current market value of the landowner's interest in the land at the date of this written request, as if the land was unaffected by the Project, or the current market value of properties that are of an equivalent
standard to the landowner's existing dwelling (including associated facilities such as a pool) in the Singleton or Muswellbrook local government areas (whichever is greater).

EDO NSW has also looked at whether current legislation - section 55 of the Land Acquisitions (Just Terms Compensation) Act 1991 (Compensation Act) - would adequately cover loss of an agricultural business which operates on the land acquired. We note that claiming compensation under the Compensation Act for the compulsory acquisition of land is notoriously complex. Where commercial interests, and particularly rural interests, are involved, the range of potential claims can be substantial and do not always fit neatly within the heads of claim the Compensation Act provides for.

In our view, a specified framework of assessment for loss of business claims should be provided in the context of a policy which will operate primarily in rural areas. Whilst it is possible to obtain compensation associated with loss of business under the statutory heads of “disturbance” or “special value”, these provisions are complex and rural landowner’s claims will not always fit within the heads of compensation provided. To avoid doubt, the policy should be clear that, in addition to the heads of compensation provided for under the Compensation Act, losses associated with the closure and relocation of agricultural operations due to acquisition of land will be compensated.

Mitigation measures in buffer zones

The use of land in buffer zones is designed to permit applicants to tenant or lease residential properties. The policy purports to provide adequate protection for these tenants by providing them with information on the health risks associated with living in such properties and requiring agreements that allow them to vacate properties without penalty. While this goes some way to ensuring protections for these individuals, in EDO NSW’s opinion it is insufficient. The applicant should be required to implement all reasonable and feasible dust and noise mitigation measures on all properties it owns in the area of influence of the project before leasing or tenanting these properties. Such a requirement must be mandatory as a tenant may be understandably reluctant to request upgrade works from the applicant in the foreseeable circumstance that the applicant may be the workers employer and landlord.

Noise impacts

The “Voluntary mitigation rights” section of the policy relating to noise effectively seeks to create a new definition of “acceptable” noise impacts. Rather than requiring mitigation at levels already to be considered through the Industrial Noise Policy (INP) to be acceptable, noise does not have to be mitigated until it is equal to or greater than 3dB(A) above the INP project-specific noise level (or 1dB(A) for total industrial noise). The policy states “These standards are generally conservative, and it does not automatically follow that exceedances of the relevant criteria will result in unacceptable outcomes” (p10). This is vague, subjective and inappropriate. Mitigation measures should be required when a project will generate any noise above the project-specific noise level (PSNL) as determined by the INP.

‘Net benefit’ and ‘public interest’ tests

The policy establishes a number of subjective tests:

- The ‘general approach to decision-making during the assessment process identifies a “net benefit?” test (Figure 1, p4).
- Similarly, the decision-making process for noise impacts applies a “net benefits?” test (Figure 4, p12).
• Where impacts of a project exceed voluntary mitigation criteria, they can still be approved if “still in the public interest” (p6).
• Where impacts of a project exceed voluntary acquisition criteria, they can still be approved if “still in the public interest” (p8).
• As noted, in relation to particulate matter, the policy states “while exceedances of these criteria will increase the human health risks of a development, the consent authority may determine the additional risk to be acceptable, particularly when the broader social and economic benefits of the development are taken into consideration” (p14).
• Similarly, the decision-making process for particulate matter impacts applies a “net benefits?” test (Figure 5, p15).

“Public interest' and 'net benefit' are not defined in the policy. It is unclear how they will be weighed up by consent authorities. While the costs of some cumulative health impacts are quantifiable (as noted above by the 2014 NEPM review) other health, lifestyle and amenity impacts are difficult to put a monetary value on. The Mining SEPP already prioritises the economic value of the mineral resource over and above social and environmental values, which distorts the rigour of the assessment process. The proposed policy reinforces this imbalance and is likely to further alienate and disadvantage mine-affected communities.

In conclusion, we reiterate our call for a comprehensive reform process for extractive industries legislation in NSW. We do not support ad hoc incremental rule changes that may be driven by individual projects. We would welcome a holistic and consultative approach to reform, consistent with implementation of the full package of Chief Scientist recommendations, to achieve a ‘world’s best practice’ regulatory regime for extractive industries in NSW.

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Yours sincerely,
EDO NSW

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